



**ARMY review(s) completed.**

**State Department review completed**

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**TOP SECRET  
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1. Bulgarian's view on Soviet policy--Altunov, Secretary General of the Bulgarian Foreign Office, has told US Representative Barnes in Sofia that the Bulgarian Government and the USSR have made the US and UK powerless to "do more than write notes and letters." According to Altunov, the USSR will never risk war with the Anglo-Americans, but will continue along "its provocative expansionist way believing it will never be too late to retreat from advanced spearheads." He added that the USSR expects to retain for peaceful exploitation most of the "ground" it has already gained.

**EUROPE**

2. GERMANY: Soviets conciliatory in ACC--Murphy reports that the 12 October meeting of the Coordinating Committee of the ACC was marked by "evident Soviet desire to demonstrate a cooperative attitude" and by "a certain relaxation and desire to be conciliatory" on the part of the Soviet representatives.

3. HUNGARY: Soviets want 65,000-man Hungarian Army--According to US Minister Schoenfeld, the Hungarian Defense Minister's plan for a mere 5,000-man Hungarian Army was rejected by the Soviets, who demanded a 65,000-man Army as allowed by the Peace Treaty, because Hungarian "commitments under mutual assistance" would require that number. Local political and military circles believe that the Soviets will soon request a mutual assistance pact similar to the one reportedly refused by President Tildy and Premier Nagy last June.

Peace Treaty economic burdens declared too harsh--Premier Nagy has told Schoenfeld that Hungary will be unable to bear the economic burden imposed by the Peace Treaty and will be obliged to ask the big powers to concert in adjusting their claims.

4. CZECHOSLOVAKIA: Debate expected over two-year plan-- the impending debates in the Cabinet and Parliament over Czechoslovakia's two-year economic plan may develop into a "fundamental struggle." The Moderates fear that the Leftists, through their control of the Ministries of Industry, Finance, Social Welfare, Public Works and National Defense, will abuse the

ARMY and DOS review(s) completed.

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extraordinary powers delegated to them under the plan and will "create havoc" with the membership of the Moderate parties.

**FAR EAST**

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5. **KOREA:** Possible resumption of the Joint Commission session--In the course of a four-day visit to the Soviet zone, the US Economic Advisor in Korea, Arthur Bunce, conferred with the Soviet Political Advisor, Balasanov, concerning a basis for reconvening the Joint Commission. Balasanov indicated that the Soviets are eager for a mutual withdrawal of forces from Korea and are willing to compromise on the trusteeship issue. Bunce noted emphatic and universal sentiment in favor of resuming Joint Commission negotiations.
  6. **CHINA:** Chinese import restrictions believed likely--In discussions with US representatives with respect to the proposed world trade charter, Embassy Nanking reports that while leading Chinese officials have indicated that the Central Government is opposed to high protection in the long run, they have emphasized the need of protection for infant industries. Embassy Nanking believes that the discussions provided further evidence that China, as a result of the loss of gold and US dollar resources [redacted] may soon increase quantitative restrictions on imports and may increase tariff rates on a limited range of products.
  7. **JAPAN:** Soviet nationality for ex-Czarists--SCAP is protesting a recent offer of the Soviet member of the Allied Council to grant Soviet nationality to former Czarist nationals in Japan. Although response to the Soviet offer has been meager, SCAP is opposed to this arrogation of consular functions by the Soviet representative.
  8. **FRENCH INDOCHINA:** French reaction to "modus vivendi"--According to US Consul Saigon, French authorities there feel that they have gained by the Franco-Viet Nam "modus vivendi" signed in Paris 15 September and "may confidently expect" eventually to regain all their former power in Indochina.

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